



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

BEFORE YOU BEGIN

Load the California software onto your Taxwise program. California residency must be indicated on the MAIN INFO screen.

STATE INFO: ☐ if no state or fill in state abbreviation below:
Full year resident **CA** and ☐ Nonresident ☐ and ☐ Part-year ☐ and ☐

Type of return: ☐ Paper ☐ RAL/ERC/DDR ☒ E-File ONLY ☐ Other

Once you load the state software, find the CA540 PG1 and other CA forms, following the federal forms, located on the "Find a form screen," or in the list of forms on the left side of your screen, in the "tree view." If there are no state forms, use an active EFIN and download the state software from the Taxwise Webpage at taxwise.com. A transmitting computer automatically updates with each transmission when updates become available.

ca efile instr.doc - Microsoft Word

1040 Individual : Guest :

File Edit Form View Bank Reports Communications Tools Help

Find a form

Sorted on Shortcut

Look for: CA 540 Pg 1

Show All Forms Use Private Forms

Can't find it? Try Form Filter List

Shortcut	Type	Description
CA 540 Pg 2	State	CA Resident Income Tax Pg 2
CA Dep Wkt	State	CA Resident Dependent Worksheet
CA 540NR Pg 1	State	CA Nonresident/Part-Year Tax Pg 1
CA 540NR Pg 2	State	CA Nonresident/Part-Year Tax Pg 2
CA 8453	State	CA Declaration for Electronic Filing
CA 3582	State	CA Electronic Filing Payment Voucher
CA CA	State	CA Resident Adjustments
CA NRCA Pg 1	State	CA Nonresident/Part-Year Adjustment Pg 1
CA NRCA Pg 2	State	CA Nonresident/Part-Year Adjustment Pg 2
CA Rent Wkt	State	CA Renter's Credit Worksheet
CA C Pg 1	State	CA Business Profit or Loss Pg 1
CA C Pg 2	State	CA Business Profit or Loss Pg 2
CA D	State	CA Capital Gain or Loss Adjustment
CA D1 Pg 1	State	CA Sale of Business Property Pg 1
CA D1 Pg 2	State	CA Sale of Business Property Pg 2
CA E Pg 1	State	CA Rent and Royalty Income or Loss
CA E Pg 2	State	CA K1 Information and Remics
CA K1 P/S	State	CA Partnership and S Corporation K1 Wkt

Income: \$ 85270 Refund: \$ -1478

Batch 1 EFile 30 Name

1/23/2002 1:19 PM In Return: 136 minutes

START THE STATE RETURN

You must complete your client's federal return before you start the California return. Use information from W-2s, 1099s, and federal returns to complete the state return. Make sure to complete the following forms before beginning the Form 540:

- ▶ Main Information Screen
- ▶ Form(s) W-2
- ▶ Forms(s) 1099
- ▶ Federal Tax Forms
- ▶ Federal Schedules
- ▶ Any income supporting forms.

FORMS W2, W2-G, AND 1099R

California requires that the state ID box on forms W2, W2-G and 1099R include the employer's state ID number. If any of the forms above have a blank State I.D., **enter 0** in this field. How you complete the income statement determines how Taxwise applies the information based on California tax law.

16 St	State ID No	17 St Wage	18 St tax	19 Loc Nme	20 Lc Wage	21 Loc Tax
CA	65011111	32000.	989.		0.	0.
		0.	0.		0.	0.

Taxwise requires that all forms W-2, W2-G, and 1099R are complete prior to beginning the tax return.



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

State Disability Insurance (SDI)

State Disability Insurance (SDI) is an itemized deduction on the federal return, but you subtract it from the state itemized deduction amount on Schedule CA (540). By following the instructions below, Taxwise reports SDI correctly for both federal and state purposes.

Many employers enter CA SDI in box 14 of the Form W-2. Do not input this information in box 14 of your screen. Enter the SDI amount in box 19 "Local tax" and the letters "SDI" in box 20 "Local name" (see example below). For additional information on SDI and to calculate excess SDI, please see Volunteer Reference Manual page 30.

Taxwise automatically adds this amount as a deduction on federal Schedule A, Line 5 when input is correct.

13	Statutory employee	Retirement plan	Third party sick pay						

See instructions below for statutory employee box and line 15.

15	State	State ID number	16	St wages	17	State tax	18	Loc wages	19	Local tax	20	Local name
	CA	65011111		32000.		989.		32000.		130.		SDI
				0.		0.		0.		0.		
				0.		0.		0.		0.		

Instructions for W2

* This line does not e-file with the W2. If you are e-filing this state return, move the state information to another state line.

Box 12: Enter code and amount. Codes D, E, F, G, H, P, Q, R, S, T, and Box 10 transfer to the EIC worksheet automatically. Other nontaxable earned income, which may be listed in Box 14, such as 125 cafeteria plans, check the box next to each amount listed that should be counted for EIC purposes.

Statutory employees

Check if you are going to use Schedules C or CEZ to report this income. This will prevent this W2 from adding into line 7 of page 1 of any 1040 form.
You must go to Schedule C or CEZ and insert the amount.

State exclusion: See state instructions, included with each state, before checking these boxes. Instructions vary by state. Example: Some states will only allow an exclusion for military pay if the employee is stationed out of state.

Income: \$ 32550 Refund: \$ 837 Batch 69 EFile 410 Any Chars 2/15/2002 1:08 PM In Return: 295 minutes

2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

Enter CA SDI amounts in the box located at the extreme bottom of the W2 input form. If your client receives another type of paid disability insurance, and the W2 reports it in place of CA SDI, enter the Code Type of this insurance in the SDI Literal box (to the left of the SDI amount box) at the bottom of the W2 input screen. Enter the amount of alternate disability insurance in the SDI amount box. The **only** acceptable Codes in the SDI Literal box follow:

SDI

VD

VP

VPDI

VI

The screenshot shows the '1040 Individual: Guest' software window. A dialog box titled 'Instructions for W2' is open. It contains several sections of instructions. The 'California W2s only' section is highlighted with a red oval. Within this section, the 'SDI Literal' dropdown menu is set to 'SDI', and the 'SDI amount' field is set to '98'. The 'New York City Employees' section is also visible below the highlighted area.

Reminder: California SDI is an itemized deduction for the federal, but not for the state. Completing this step allows Taxwise to automatically calculate the correct amount of California itemized deductions.

W-2G/California Lottery & Gambling Losses

To exclude California lottery winnings from the CA return, "X" the State box on W2G. This causes Taxwise to deduct this income on the California Schedule CA, line 21a.

W-2G form fields:

- Payer's Federal ID number: 75-6565555
- Phone: 560
- Name code: STAT
- Payer's name: State of California
- Payer's care of name (use %) and address: 3555 Capital Road, 95501, Elverta, CA
- Winner's name and address: PAUL PRACHI, 10 BUENA VISTA BLVD, Roseville, CA 95678
- City, state, Zip code or country: Roseville, CA 95678
- 1 Gross winnings: 560
- 2 Federal tax withheld: 0
- 3 Type of wager: [dropdown]
- 4 Date won: [date]
- 5 Transaction: [dropdown]
- 6 Race: [dropdown]
- 7 Identical wagers: 0
- 8 Cashier: [dropdown]
- 9 Winner's SSN: 468-30-0152
- 10 Window: [dropdown]
- 11 First ID: [dropdown]
- 12 Second ID: [dropdown]
- 13 State and state ID: [dropdown]
- 14 State tax withheld: 0
- Gambling losses to be transferred to Schedule A: 0

Income: \$ 88898 Refund: \$ -7316 Batch: 21 EFile 80 Any Chars 468-30-0152 8/12/2002 9:16 AM In Return: 686 minutes

Example of how a correctly completed W2G creates the CA lottery income adjustment on the California

Section A: Income

	Federal amounts	Subtractions	Additions
7 Wages, salaries, tips, etc	88000	0	0
8 Taxable interest income	338	67	0
9 Ordinary dividends	0	0	0
10 State tax refund	0	0	0
11 Alimony received	0	0	0
12 Business income or (loss)	0	0	0
13 Capital gain or (loss)	0	0	0
14 Other gains or (losses)	0	0	0
15 IRA distributions	0	0	0
IRA taxable	0	0	0
16 Pension and annuities	0	0	0
Taxable pension and annuities	0	0	0
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc	0	0	0
18 Farm income or (loss)	0	0	0
19 Unemployment compensation	0	0	0
20 Social security benefits	0	0	0
21 Other income	560	0	0
a California lottery winnings		560	0
b Disaster NOL carryover from FTB 3805V		0	0
c Federal NOL from 1046		0	0
d NOL carryover from FTB 3805V		0	0
e NOL from FTB 3805D, 3805Z, 3806, 3807, or 3809		0	0



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

1099R – Pension and Railroad Retirement Income:

Generally, federal and state treat pension income the same. Find additional and more detailed information in the *Volunteer Reference Manual*, General Information Section.

If your client receives a 1099R with tier 1 or tier 2 Railroad retirement income, "X" the "Railroad" box on Form 1099R to indicate the taxable income from this 1099R qualifies for subtraction on the California Schedule CA.

The screenshot shows the Taxwise software interface for Form 1099R. The form is titled "1099R" and includes fields for Recipient's social security number, Recipient's name, Recipient's address, Account number (optional), and various tax-related boxes. The "Railroad retirement" box is checked, and an arrow points to it from the "Exclusion Worksheet" section. The "Exclusion Worksheet" section includes fields for "1 Amount rolled over" and "2 Excludable amount due to a tax-free exchange; as calculated in a previous year; or by law, is specifically tax-exempt".

Checking this box will cause Taxwise to deduct the income on the California Schedule CA.

Note the placement of the taxable portion of Railroad Retirement Benefits located in Column B of the 540 Schedule CA, line 16.



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

Once the federal return is complete and correct, double click on CA 540 PG 1. Taxwise automatically enters most line amounts on page 1 of the 540. Even without a red error, double check all entries on this page.

FORM 540 PG 1

Step 1 – Name and Address

Taxwise completes this step. Double check the taxpayer's name and address for state purposes. Also, see Volunteer Reference Manual page 13 for more information.

Step 1a – SSA

Taxwise completes this step. Double check for accuracy.

CA 540 California Resident Income Tax 2001

For scan printing, you must print in all capital letters.
Check the Print Tax Returns in ALL CAPITAL LETTERS box on the Printer Setup Screen.

Name: PAUL PEACH SSN: 468-30-0152
Spouse: PEGGY PEACH SSN: 468-30-8753
Name line 2: Executor or guardian:

Check here to change the address listed below if you live in an apartment, building, etc. If your address is in a foreign country, the foreign country will be calculated in the Country field, enter the foreign city in the city field, and if applicable, the foreign country's postal code in the Foreign zip field. Do not use special characters (hyphens, etc) in the Foreign zip field. Use spaces in the place of any special characters. See F1 help for address formatting requirements.

Federal: 10 BUENA VISTA BLVD Apartment, building, etc:
California: 10 BUENA VISTA BLVD Number:
Roseville CA 95678 PMB No:
Country: Check here if active duty military:
Foreign zip:

Federal return attachment required ☒ Yes ☐ No
Check here if name or address has changed since your 2000 return ☐

Reminder: If Taxwise leaves any of the above lines blank, check the federal return.

Step 2 – Filing Status

Taxwise completes this step. **State filing status must be the same as the filing status on the federal return.** See the Volunteer Reference Manual, page 13. Call the FTB Volunteer Hotline for information on Registered Domestic Partners or nonresident spouse.

Remember, state filing status and exemption credits must be the same as used on the federal return.

Step 3 – Exemptions

Taxwise completes this step. The number of state exemption credits must be the same as the number of exemption credits on the federal return. There is a difference in the treatment of exemption credits between federal and state.

File Edit Form View Bank Reports Communications Tools Help

Add Form/Display Form List (Ctrl+F10) Copy This Form (Shift+F10) Remove Form (Shift+F9) Close This Form (F10)

Foreign zip: [REDACTED]

Federal return attachment required ☒ Yes ☐ No
Check here if name or address has changed since your 2000 return

Filing Status

1 ☐ Single

2 ☒ Married filing joint return (even if only one spouse had income)

3 ☐ Married filing separately Spouse's name: [REDACTED]

4 ☐ Head of household

5 ☐ Qualifying widow(er) Year spouse died: [REDACTED]

Exemptions

6 If someone can claim you or your spouse as a dependent, check here

7 **Personal**

8 **Blind**

9 **Senior**

10 This is your total exemption credit before the dependent exemption credit

11 **Dependents** Enter name and relationship.
POLLY PEACH DAUGHTER
Total dependent exemption credit

Taxable Income

12 State wages from your Form(s) W-2, box 16	88000.	
13 Enter adjusted gross income from your 2001 federal return		92117.
14 California adjustments - subtractions from Schedule CA		3846.
15 Subtract line 14 from line 13		88271.

Callout box: 2x99=\$198
1x309=309

2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

Taxwise automatically calculates exemption credits in Step 3 from information entered on the Interview Worksheet, line 50, the main information screen, and Form 1040, line 37a. State exemption credits decrease actual tax. Federal exemption credits decrease taxable income.

California gives additional credits to individuals over the age of 65 or blind. If both spouses on a return are over age 65 or blind then they receive two additional exemption credits. When a client claims the blindness exemption credit for the first time, attach a physician's statement to the back of the return. See the *Volunteer Reference Manual* for more detail and the definition of visual impairment.

Personal	\$	99.00
Blind	\$	99.00
Senior	\$	99.00
Dependent	\$	309.00

The definition of a dependent for California purposes is the same as for federal.

File Edit Form View Bank Reports Communications Tools Help

Add Form/Display Form List (Ctrl+F10) Copy This Form (Shift+F10) Remove Form (Shift+F9) Close This Form (F10)

Filing Status

1 ☐ Single

2 ☐ Married filing joint return - even if only one spouse had income

3 ☐ Married filing separately Spouse's name: _____

4 ☒ Head of household Year spouse died: _____

5 ☐ Qualifying widow(er)

Exemptions

6 If your parent or someone else can claim you or your spouse, if married, dependent on his or her tax return, even if he or she chooses not to, check this box: ☐

7 Personal 1 X 99 = \$ 99

8 Blind 1 X 99 = \$ 99

9 Senior 1 X 309 = \$ 309

10 Total dependent exemptions

Name and relationship Billy-SON

11 Total exemption amount

Taxable Income

12 State wages from Forms W-2, box 16 0

13 Adjusted gross income from 2002 Federal return 0

14 California adjustments - subtractions 0

15 Subtract line 14 from line 13 0

16 California adjustments - additions 0

Example of one Senior exemption and one Dependent exemption credit.



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

Step 4 – Taxable Income

Taxwise completes most of this step. Notice that most of the line amounts are yellow. This means Taxwise calculates the field. However, it is vitally important that you review each line to make sure the information transfers correctly from the federal return.

Move down through the return, double checking each line for accuracy. If the return shows a California adjustment for line 14 or line 16, double check CA SCH CA (California Schedule CA) for accuracy. Press F9 with the cursor on line 14 to link to the Schedule CA.

When you see an amount on line 14 or line 16 of the 540, page 1, always open the California Schedule CA and double check the adjustments.

File Edit Form View Bank Reports Communications Tools Help

Add Form/Display Form List (Ctrl+F10) Copy This Form (Shift+F10) Remove Form (Shift+F9) Close This Form (F10)

Total dependent exemption credit \$ 247

Taxable Income

12 State wages from your Form(s) W-2, box 16	88000.	
13 Enter adjusted gross income from your 2001 federal return		92117.
14 California adjustments - subtractions from Schedule CA		3846.
15 Subtract line 14 from line 13		88271.
16 California adjustments - additions from Schedule CA		0.
17 California adjusted gross income		88271.
18 Enter the larger of your CA standard deduction or your CA itemized deductions		5920.
19 This is your taxable income. If less than zero, enter zero		82351.

Tax

20 Tax. Check if from . . . <input checked="" type="checkbox"/> Tax Table <input type="checkbox"/> Rate Schedule <input type="checkbox"/> FTB 3800 <input type="checkbox"/> FTB 3803 . . .		3968.
21 Exemption credits		405.
22 Subtract line 21 from line 20. If less than zero, enter zero		3563.
23 Other taxes. Check if from . . . <input type="checkbox"/> Schedule G-1 and <input type="checkbox"/> form FTB 5870A		0.
24 Add line 22 and line 23		3563.

This facsimile form is not approved for filing directly to the state.
Print state form using "Print Return" or "Print Current Form".
Check the Print Tax Returns in ALL CAPITAL LETTERS box on the Printer Setup Screen.



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

Schedule CA – California Adjustments

California does not tax certain types of income that may be taxable on the federal return. You must complete a California Schedule CA when there are differences in income taxability between federal and state. Even though Taxwise automatically figures most of these adjustments for you, it is still very important that you check to make sure all adjustments are correct. Find differences between federal and state tax law in the *Volunteer Reference Manual*.

File Edit Form View Bank Reports Communications Tools Help

Add Form/Display Form List (Ctrl+F10) Copy This Form (Shift+F10) Remove Form (Shift+F9) Close This Form (F10)

CA Sch CA (540) **California Adjustments** 2001

Name: PAUL PEACH & PEGGY PEACH SSN: 468-30-0152

Part I: Income Adjustment Schedule

Section A: Income

	Federal amounts	Subtractions	Additions
7 Wages, salaries, tips, etc	88000.	0.	0.
8 Taxable interest income	338.	67.	0.
9 Ordinary dividends	0.	0.	0.
10 State tax refund	0.	0.	0.
11 Alimony received	0.		0.
12 Business income or (loss)	0.	0.	0.
13 Capital gain or (loss)	0.	0.	0.
14 Other gains or (losses)	0.	0.	0.
15 IRA distributions	0.		
IRA taxable	0.	0.	0.
16 Pension and annuities	5797.		
Taxable pension and annuities	3219.	3219.	0.
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc	0.	0.	0.



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

540 Pg 1, line 14 includes all income taxable on the federal return and not taxable by California. Line 14 is always the same as the figure calculated on line 35, Column B, on the California Schedule CA. Line 14 decreases taxable income.

California does not tax:

- State Income Tax Refunds
- Unemployment Compensation
- Social Security Benefits
- Tier I and Tier II Railroad Retirement Benefits
- California Lottery
- Interest earned from U.S. Savings bonds, U.S. Treasury bills, or any other bonds of the U.S. and U.S. territories.

Line 16 includes all income that is nontaxable on the federal return but is taxable to California. The amount on Line 16, 540 Pg 1, is always the same as the amount on California Schedule CA line 35, Column C. Line 16 increases taxable income.

California does tax:

- Foreign earned income or foreign social security.
- Interest income from bonds issued by a state other than California.
- Interest income from municipal bonds issued by a county, city, town, or other local government unit in a state other than California.
- Interest income from obligations of the District of Columbia issued after December 27, 1973.



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

California Schedule CA

Line 7 Wages, Salaries, Tips, Etc.

Generally, do not make any adjustments on this line.

Line 8 Taxable Interest Income

The most common type of interest you calculate is simple interest from a taxpayer's checking or savings account. For example, to adjust savings bond interest, Taxwise automatically makes this adjustment when you enter the correct information.

This information comes from the federal Schedule B.

1. Open the federal Schedule B.
2. Highlight or click line b, "Payer information."

Reminder: Check the *Volunteer Reference Manual* for tax law information regarding California's taxation of interest.

3. Press F9 to link to the "New Interest Statement Interest Income."

b	c	d	e

4. Click OK.

5. Designate interest income entries on federal Schedule B interest statement with a "+" for interest that needs to be added to the state and is exempt from tax on the federal return. Place a "-" in the column for interest nontaxable to the state but taxable on the federal return. Taxwise transfers this addition/subtraction amount on the California Schedule CA, line 8 in the appropriate state adjustment (St. Adj.) column.

[illegible]

Note: Complete the “New Interest Statement Interest Income” screen for Taxwise to report the taxability of income correctly on the California return.

For more information on interest income, see *Volunteer Reference Manual*.

California Schedule CA (cont.)

Line 9 Ordinary Dividends

Enter dividend income on the federal Schedule B, Part II – Ordinary Dividends. If your client has California adjustments for dividend income, Taxwise automatically makes this adjustment from information entered on the “Dividend Income Worksheet.”

Open the Federal Schedule B

Highlight or click on line 5a, payer information for Ordinary Dividends.

File Edit Form View Bank Reports Communications Tools Help

Add Form/Display Form List (Ctrl+F10) Copy This Form (Shift+F10) Remove Form (Shift+F9) Close This Form (F10)

2 Add the amounts on line 1 0.

3 Complete all other income and adjustments in the tax return, then enter the
excludable interest from Form 8815 (TSJ) 0.

4 Subtract line 3 from line 2 0.

Part II: Ordinary Dividends

5 F9 in the "Payer" or "Amount" section: for 1099-DIV facsimile; to list more than 10
items; or to list capital gain distributions, other federal or state adjustments and
stock ownership.

Payer	Amount
a SML Corporation	150
b	0
c	0
d	0
e	0
f	0
g	0
h	0
i	0
j	0

**The dividends from Schedules K-1 transfer to line j. If you are using the dividend
statement, check here [] AND manually enter: [] for the taxpayer
and [] for the spouse on the statement as K-1 dividends.
Enter any 28% gain listed on 1099-DIV(s) that is not shown as nominee.

3. Press F9 to link to the “New Dividend Stmt Dividend Income.”

4. Click “OK.”

2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

California Schedule CA (cont.)

Designate dividend income entries with a "+" for dividend income exempt from federal tax but taxable on the state return. Place a "-" in the column for dividend income non-taxable to the state but taxable on the federal return. Taxwise transfers this addition or subtraction amount on the California Schedule CA, line 9 in the appropriate state adjustment column. Find more information about dividends in the *Volunteer Reference Manual*.

The screenshot shows the Taxwise software interface for the 2008 California Volunteer Manual. The 'Add Form/Display Form List' window is open, displaying a list of forms. The 'NEW Dividend Stmt - Schedule B Line 5 Dividend Income' entry is highlighted, and an arrow points to it. The main window shows the 'Subtotal' section of the form, with a red box highlighting the 'Subtotal' line.



Note: Taxwise correctly calculates the dividend income amount taxable to California when the “New Dividend Statement of Dividend Income” is complete.

For exempt interest dividends from mutual funds, please see the *Volunteer Reference Manual*, page 14, for additional information.

Don't forget to double check 540 Schedule CA, line 13, for capital gain and loss accuracy. A CA Schedule D may need to be completed in Taxwise in order for the program to carry over the information correctly from the federal return.



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

California Schedule CA (cont.)

Line 10 State Tax Refund

Taxwise automatically transfers the state tax refund amount to Schedule CA, line 10, column B. Find information about the taxability of refunds in the *Volunteer Reference Manual*.

Line 13 Capital Gain (or Loss)

If your client reports a Capital Loss Carryover on the federal return, Taxwise often adds the carryover back on the state return as an addition.

	Federal amounts	Subtractions	Additions
7 Wages, salaries, tips, etc	0.	0.	0.
8 Taxable interest income	0.	0.	0.
9 Ordinary dividends	0.	0.	0.
10 Taxable refunds, credits, offsets of state and local income taxes	0.	0.	0.
11 Alimony received	0.	0.	0.
12 Business income or loss	0.	0.	0.
13 Capital gain or loss	-3000.	0.	3000.
14 Other gains or losses	0.	0.	0.
15 Total IRA distributions	0.	0.	0.
16 Total pension and annuities	0.	0.	0.
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc	0.	0.	0.
18 Farm income or loss	0.	0.	0.
19 Unemployment compensation	0.	0.	0.

Watch for Capital Loss Carryovers added back into the California return



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

To remove the Capital Loss Carryover as an addition (*column C of the schedule CA*), open the CA Sch D and enter the Capital Loss Carryover amount as a negative number on line 6. This forces Taxwise to include the carryover on the state return, and removes the addition from the Schedule CA.

File Edit Form Letter View Bank Reports Communications Tools Help

Prev. Form Next Form New Return Open Return Close Return Forms Tree Print Return Print Form Link Depr/Wkst Return Stage Diagnostics Taxwise U

Refund Monitor
AGI: (\$3,000)
Refund: \$0

1040 Individual Forms
1040 Pg 1
1040 Wkt3
Sch D Pg 1
Sch D Pg 2
Sch D Wkt 1
Sch D Wkt 2
6251 Pg 1
6251 Pg 2
8453
Misc. Forms
RES/NR Wkt
Summary
Price
CA State
CA 540 Pg 1
CA 540 Pg 2
CA 8453
CA A
CA CA Pg 1
CA CA Pg 2
CA D
CA P Pg 1
CA P Pg 2
CA 3805V Pg 1
CA 3805V Pg 2
CA 3805V Pg 3

CA Sch D Capital Gain or Loss Adjustment 2005

Name: _____ SSN: _____

Sales using California law
Line 1a is the total of short and long-term capital sales from the Federal return. If you have different California amounts, override the "Cost" column to show the total of your different basis adjustments. Line 1b calculates differences between Form 4797 and CA D1. Line 1c includes "same as Federal" amounts from Schedule D, line 11, and CA 3805E. Line 1d is reserved for Section 18152.5 exclusion. Section 1202 amounts in line 1a can be adjusted by Section 18152.5. Enter the sale price and cost to accurately state the gain / loss of this adjustment (see instructions). Line 2 calculates from California K-1s "Total amount" column (see instructions on CA K-1s). Line 3 calculates "same as Federal" capital gains from Federal Schedule B and the "CA elected" capital gains from CA form 3803.

Description of property	Sales price	Cost	Loss	Gain
1a	0.	0.	0.	0.
b	0.	0.	0.	0.
c	0.	0.	0.	0.
d	0.	0.	0.	0.
2 Net gain or loss shown on California Schedule(s) K-1			0.	0.
3 Capital gain distributions			0.	0.
4 Total 2005 gains from all sources				0.
5 2005 loss			0.	
6 California capital loss carryover from 2004, if any - enter as negative			-3,000.	
7 Total 2005 loss			-3,000.	
8 Combine line 4 and line 7				-3,000.
9 If line 8 is a loss, smaller of the loss on line 8 or \$3,000 or \$1,500 if married filing a separate return				3,000.
10 Amount from Federal Form 1040, line 13				-3,000.
11 California gain from line 8 or loss from line 9				-3,000.
California gain or loss adjustment				0.
12a Adjustment decrease				
b Adjustment increase				0.

This facsimile form is not approved for filing directly to the state.

Capital Loss Carryover amounts must be entered as a negative on line 6 of the CA Schedule D.



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

Line 15 Total IRA Distributions

Enter the amount, if any, of your client's California basis.

The screenshot shows the 'Part I: Income Adjustment Schedule' section of the software. A table lists various income items with columns for 'Federal amounts', 'Subtractions', and 'Additions'. Line 15, 'IRA distributions', is highlighted with a blue box. A blue arrow points to the 'IRA distributions' row, and another blue arrow points to the 'IRA taxable' row. A blue circle highlights the '300.' value in the 'Subtractions' column for line 15. A blue arrow points to the '300.' value in the 'Subtractions' column for line 15. A blue arrow points to the '300.' value in the 'Subtractions' column for line 15.

	Federal amounts	Subtractions	Additions
7 Wages, salaries, tips, etc.	88000.	0.	0.
8 Taxable interest income	0.	0.	0.
9 Ordinary dividends	190.	60.	0.
10 State tax refund	0.	0.	
11 Alimony received	0.		0.
12 Business income or (loss)	0.	0.	0.
13 Capital gain or (loss)	0.	0.	0.
14 Other gains or (losses)	0.	0.	0.
15 IRA distributions	5797.		
IRA taxable	3219.	300.	0.
16 Pension and annuities	0.		
Taxable pension and annuities	0.	0.	0.
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc.	0.	0.	0.
18 Farm income or (loss)	0.	0.	0.
19 Unemployment compensation	0.	0.	
20 Social security benefits	1200.	1020.	
21 Other income	0.		
a California lottery winnings		0.	
b Disaster NOL carryover from FTB 3805V		0.	

In general, an IRA distribution's taxability is the same for federal and state. Differences occur when contributions were made during 1975, or 1982 through 1986. To calculate the difference in basis between federal and state, your client provides records detailing the contribution amounts made and deductions taken for the years above. Find an IRA Adjustment Worksheet in the General Information Section of your *Volunteer Reference Manual*, pages 19-20. Find more information in FTB Publication 1005, Pension and Annuity Guidelines.

Line 16 Total Pensions and Annuities

California and federal law generally treat pension and annuity income the same. However, if your client receives a 1099R with Railroad Tier 1 or Tier 2 income, see page 6 of this instruction booklet.

Note: California treats Railroad Retirement Tier 1 and Tier 2 income the same as social security income. Any amount of Tier 2 income listed on Schedule CA line 16, column A, also needs to be entered on line 16, column B.



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

Line 20 Social Security Benefits

Taxwise automatically deducts the taxable social security amount from the federal return. If Tier 1 Railroad Retirement income is entered on line 20, column A, of the Schedule CA, double check that Taxwise enters the same amount on line 20, column B.

Line 21 Other Income

California Lottery

Taxwise deducts California lottery winnings on the California Schedule CA. Taxwise instructions on page 5 of this section.

California Schedule CA – Part II

California itemized deductions differ from federal itemized deductions. California disallows any deduction of state or foreign taxes or deductions for SDI.

That takes care of the Schedule Ca. Let's go back to the 540, Page 1.

FORM 540 PAGE 1 (cont.)

Step 5 – Tax

This step should be completed by Taxwise. Taxwise will calculate this figure from information entered on the federal return and the Form(s) W-2 or Form(s) 1099.



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

FORM 540 PAGE 2

Special Credits & Nonrefundable Renter's Credit

This step contains several lines that will not carry over from the federal return.

Line 28 & Line 29 – Credits

To claim the Joint Custody Head of Household credit:

1. Highlight line 28 on form 540.
2. F1 to link.
3. Select Joint Custody Head of Household .
4. Copy and paste credit name and code.
5. Enter the credit amount.

Taxwise completes the remainder of the form.



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

Line 31- NonRefundable Renter's Credit

Remember, the renter's credit is one of the few line items that is not automatic for Taxwise. You must remember to ask your client if they qualify!

To claim the Nonrefundable Renter's Credit:

This credit is not automatically entered by Taxwise. If the taxpayer meets the Nonrefundable Renter's Credit requirements, complete the renter's credit worksheet and answer the questions correctly.

If your client qualifies for the Nonrefundable Renter's Credit, follow the steps below:

Check "Yes" on page 1 of CA 540.

Complete the Nonrefundable Renter's Credit worksheet.

(Taxwise will put the form in your tree as soon as you mark "yes" on Form 540, page 1.)

File Edit Form Letter View Bank Reports Communications Tools Help

Add Form/Display Form List (Ctrl+F10) Copy This Form (Shift+F10) Remove Form (Shift+F9) Close This Form (F10)

CA 540 California Resident Income Tax 2004

Name: [REDACTED] SSN: 555-55-5555
Spouse: [REDACTED] SSN: [REDACTED]
Name line 2: [REDACTED]

Check here to change the address listed below if you live in an apartment, building, etc. If your address is in a foreign country, the foreign country will be calculated in the Country field, enter the foreign city in the city field, and if applicable, the foreign country's postal code in the Foreign zip field. Do not use special characters (hyphens, etc) in the Foreign zip field. Use spaces in the place of any special characters. See F1 help for address formatting requirements.

Federal: [REDACTED] Apartment, building, etc: [REDACTED]
California: [REDACTED] Number: [REDACTED]
Country: [REDACTED] PMB no: [REDACTED]
Foreign zip: [REDACTED] Use spaces in the place of special characters ("-", etc) for this field.

Federal return attachment required [X] Yes [] No
Check here if name or address has changed since your 2003 return [] Yes [X] No
Check here if 2/3 of your 2003 or 2004 gross income is from farming or fishing [] Yes [X] No
Did you pay rent, for at least half of 2004, on property in California, including a mobile home that you owned or rented land, which was your principal residence? [X] Yes [] No
If you answered yes, complete the CA Rent Vkt.
Check here if you are filing or paying late due to a qualifying disaster under IRC 7508A or R&TC 18572, check here. Write the name of the qualifying disaster in red at the top of the printed form [] Yes [X] No

Deceased Taxpayer or Spouse Information

2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

Nonrefundable Renter's Credit (cont.)

Complete the worksheet. Taxwise enters the appropriate amount for your client's filing status. Although you can manually enter the amount of renter's credit on Form 540, use the worksheet to eliminate the most common qualification errors.

CA Nonrefundable Renter's Credit Qualification Record 2001

Name: PAUL PEACH & PEGGY PEACH SSN: 468-30-0152

Keep this for your records. Do not mail to the Franchise Tax Board.

	Yes	No
1 Were you a resident of California for at least 6 months in 2001?	X	
2 Is the amount on line 17, Form 540 (\$40NR if part-year resident) \$28,009 or less if single or married filing separate or \$56,018 if married filing joint, head of household or qualifying widow(er)?	X	
3 Did you pay rent for at least half of 2001 on property (including a mobile home that you owned on rented land) in California which was your principal residence?	X	
4 For more than half the year, did you live with, or are you a minor under the care of a parent, foster parent, or legal guardian who claimed you as a dependent in 2001?		X
5 Was the property you rented exempt from property tax in 2001?		X
6 Did you or your spouse claim the homeowner's property tax exemption anytime during 2001?		X
7 Did you and your spouse maintain separate residences for the entire year in 2001?		

8 Part-year residents - enter the number of full months you were a resident of California 12
If married filing separate, both spouses lived in the same property, and both qualify for the credit, one spouse may take the full amount, or each spouse may claim half of the amount (\$60, prorated by residence). Check here if you want the full credit to go to this spouse 120.

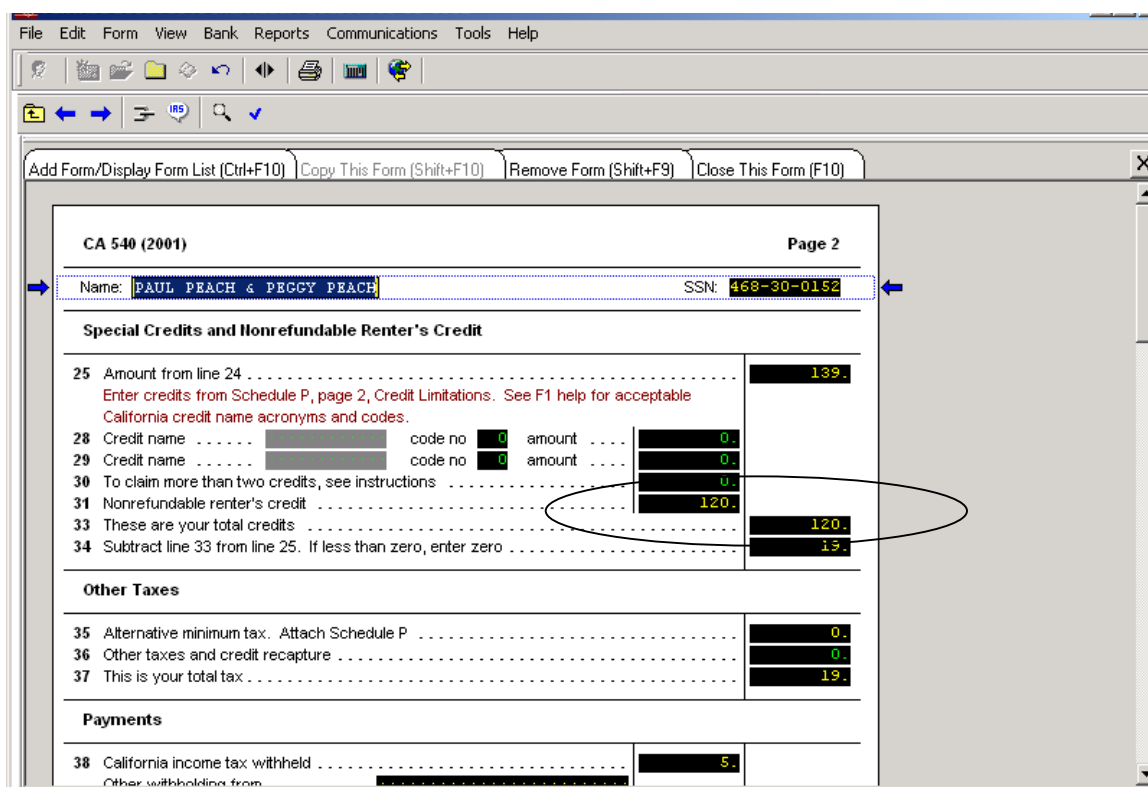
9 Enter the street address(es) below for the residence(s) you rented in California during 2001

Renter's Credit qualifications:

- Income less than \$34,936.00 for single or married filing separate filers and less than \$69,872.00 for married filing jointly, head of household or qualifying widow(er).
- Pay rent on a principal residence in California for 6 months or more during 2008.
- The county assesses property tax on the residence.

Nonrefundable Renters Credit (cont.)

Taxwise automatically enters the correct amount of Non-Refundable Renter's Credit according to your client's filing status and tax amount.



CA 540 (2001) Page 2

Name: PAUL PEACH & PEGGY PEACH SSN: 468-30-0152

Special Credits and Nonrefundable Renter's Credit

25 Amount from line 24 199.

Enter credits from Schedule P, page 2, Credit Limitations. See F1 help for acceptable California credit name acronyms and codes.

28 Credit name code no 0 amount 0.

29 Credit name code no 0 amount 0.

30 To claim more than two credits, see instructions 0.

31 Nonrefundable renter's credit 120.

33 These are your total credits 120.

34 Subtract line 33 from line 25. If less than zero, enter zero 19.

Other Taxes

35 Alternative minimum tax. Attach Schedule P 0.

36 Other taxes and credit recapture 0.

37 This is your total tax 19.

Payments

38 California income tax withheld 5.

Other withholding from

If the amount on line 31 is incorrect, double check the information below:

Did you:

- Mark "Yes" on Form 540 page 1?
- Clear all red errors on the Nonrefundable Renters Credit Worksheet?
- Enter the total number of months rented on the worksheet?
- Double check the California Adjusted Gross income for your clients?
- Is your client's tax amount less than the credit amount?

Find more information on renter's credit in the *Volunteer Reference Manual*.

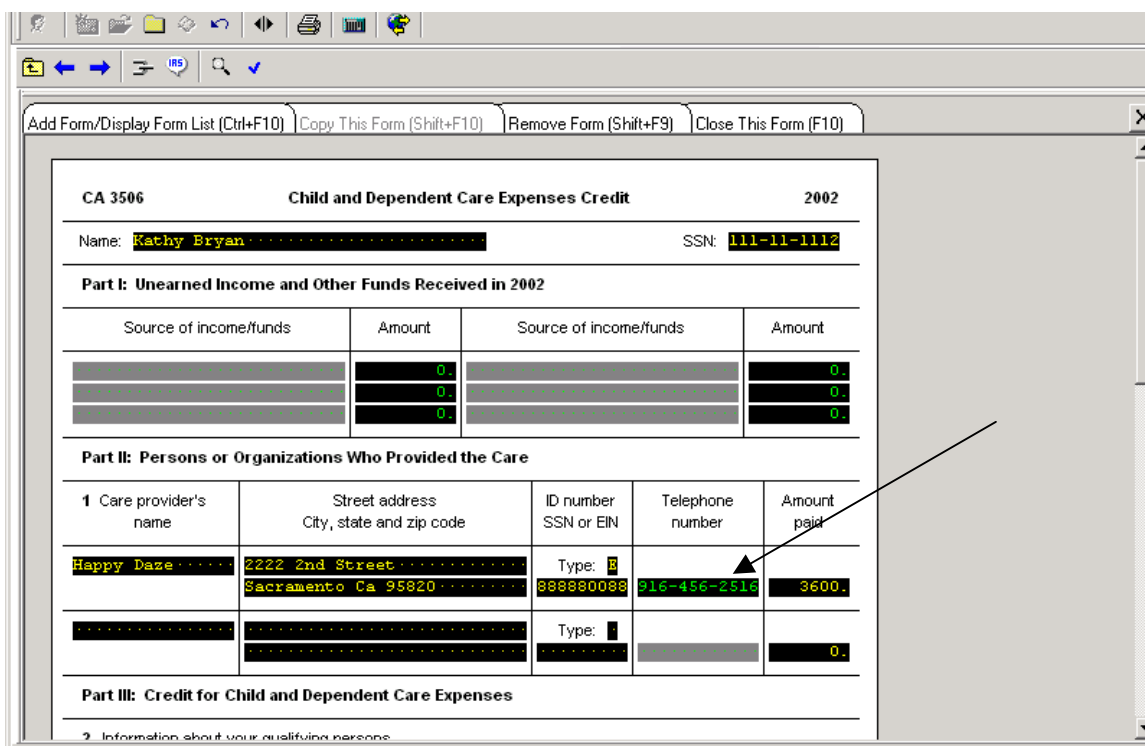
Other Taxes

Taxwise completes this step based on information from the 1099-R. Line 36, Other Taxes, shows the amount of additional tax California assesses on retirement plan income from a client prior to age 59 ½.

Payments

Taxwise completes this step. If no withholding is shown on line 38, or you disagree with the amount, the employer makes corrections for form(s) W-2, 1099, and other supporting forms. If the taxpayer makes 2008 CA estimated tax payments, enter the amount on line 39.

Form 3506 Child and Dependent Care Expense Credit



CA 3506 Child and Dependent Care Expenses Credit 2002

Name: **Kathy Bryan** SSN: **111-11-1112**

Part I: Unearned Income and Other Funds Received in 2002

Source of income/funds	Amount	Source of income/funds	Amount
	0.		0.
	0.		0.
	0.		0.

Part II: Persons or Organizations Who Provided the Care

1 Care provider's name	Street address City, state and zip code	ID number SSN or EIN	Telephone number	Amount paid
Happy Daze	2222 2nd Street Sacramento Ca 95820	Type: B 888880088	916-456-2516	3600.
		Type: I		0.

Part III: Credit for Child and Dependent Care Expenses

2 Information about your qualifying persons

The CA 3506 comes pre-filled with information Taxwise transfers from the federal child and dependent care form. Taxwise requires completion of Part I. A telephone number on CA 3506 is mandatory to e-file the return. If your client does not have the provider telephone number, you may select F3 to clear the field. Provide the telephone number or clear the field to prevent e-file rejection.



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

Overpaid Tax or Tax Due

Taxwise completes this step.

Contributions

Enter the amount of charitable contributions your client wants to deduct from the refund, if any.

Refund or Amount You Owe

Taxwise figures the amount of refund or balance due. Line down to check all calculations.

Interest and Penalties

Taxwise figures the amounts of interest and penalties. Delete all penalties. See the *Volunteer Reference Manual* for detailed tax information regarding penalties and the volunteer program.

DO YOU WANT TO FILE THIS FORM ELECTRONICALLY?

You will find this red highlighted question on all Forms 540, Page 2. Check the "YES" box if you are going to electronically file for state on every form, or set the default in "Change Initial Forms".

DO YOU WANT TO ELECTRONICALLY FILE THIS RETURN? ☒ YES ☐ NO



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

Electronic Signature

Electronic filing with Taxwise allows two options for the taxpayer to sign the return. Each taxpayer and spouse/RDP (if applicable) signs the return electronically, or physically signs the state Form 8453. The electronic signature, the self-select or practitioner PIN, eliminates the requirement for Form 8453.

To use the electronic signature option on the state return, mark "Yes" on the Form CA 540, page 2. This triggers the appropriate actions in Taxwise.

When you check the "Yes" box, Taxwise places form CA 8879 in your forms tree. You need to know your client's 2007 California AGI in order to complete a self-select PIN signature method.

If you DO NOT want your client to electronically sign the return, mark the "No" box on Form CA 540, page 2.

The screenshot displays the Taxwise software interface. On the left, a tree view shows the forms loaded for a client. The 'CA 8879' form is highlighted and circled. The main window shows the details for 'CA 8879'. The 'Refund or Amount You Owe' section shows a refund of 106. The 'Interest and Penalties' section shows a total amount due of 0. The 'Do you want to electronically file this return?' question has 'Yes' selected. Below it, the question 'If electronically filing, does the taxpayer want to sign their return electronically?' also has 'Yes' selected.



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

California Signature Documents FORM 8453

A California Form 8453 is an e-file requirement for state forms if your client did not choose to electronically sign the state return.

Under the correct social security number, choose CA 8453 from the tax forms screen. Line down to check all calculations. Double check to make sure there are no red error fields.

Indicate how the taxpayer wants their refund (electronically transferred, mailed, etc.) or to pay the balance due (electronically transferred or mail in the check). Taxwise will prompt you to this field with red highlights.

Original signatures for both taxpayer and spouse must be on all the state signature documents. Give this form back to the taxpayer and inform them to keep this copy with their tax return.

The screenshot shows the California Form 8453 software interface. The menu bar includes File, Edit, Form, Letter, View, Bank, Reports, Communications, Tools, and Help. The toolbar contains various icons for file operations and navigation. The main window displays the form with the following sections:

- 1** (Callout to the top toolbar): Open Tree View. (Ctrl+T)
- 2** (Callout to the Self-Select PIN method section):
 - What method is the taxpayer using to sign their return? ☒ Self-Select PIN ☐ Practitioner PIN
 - Self-Select PIN method** I am signing this tax return and Electronic Funds Withdrawal Consent if applicable, by entering my Self-Select PIN below.
 - Taxpayer's PIN . . . 98765 Date: 02/03/2005 Prior year California AGI: 2609.
 - Spouse's PIN . . . 98765 Date: 02/03/2005 Prior year California AGI: 2609.
- 3** (Callout to the Practitioner PIN method section):
 - Practitioner PIN method** The taxpayer(s) and I have signed Form FTB 8879. By entering the PINs below, this tax return, and Electronic Funds Withdrawal Consent if applicable, is considered signed.
 - Taxpayer's PIN . . . 0 Date: [blank]
 - Spouse's PIN . . . 0 Date: [blank]
- 4** (Callout to the ERO firm name section):
 - Taxpayer's PIN . . . 98765 Date: 02/03/2005
 - I ☒ authorize ☒ do not authorize
 - ERO firm name . . . [redacted] to enter my PIN as my signature on my 2004 e-filed California income tax return.
 - Spouse's PIN . . . 98765 Date: 02/03/2005
 - I ☒ authorize ☒ do not authorize
 - ERO firm name . . . [redacted] to enter my PIN as my signature on my 2004 e-filed California income tax return.

Part III: Certification and Authentication - Practitioner PIN Method Only



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

e-file Signature Authorization Form CA 8879

Complete Form CA 8879 if your client is electronically signing the state return by using the practitioner PIN.

- **Check Practitioner PIN.**
- **Both taxpayer and spouse/RDP (if applicable), or practitioner enters a self selected PIN.**
- **Both taxpayer and spouse must check the “authorize” box.**
- **Eliminates the need for prior year California AGI.**
- **Give the Form 8879 to the taxpayer for their records.**

2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

HEAD OF HOUSEHOLD

Submit a Head of Household Schedule (Form CA 4803e) with every e-file claiming the head of household filing status. Taxpayers filing head of household returns without the schedule receive a questionnaire in the mail. If that questionnaire is not returned within a specific timeframe, Franchise Tax Board issues an assessment, and ultimately a bill, for the single filing status tax amount to the taxpayer.

CA 4803e Head of Household Schedule 2002

Name: June A. July SSN: 444-44-4444

This form is required for those persons electronically filing their California return who do not want a delay for California mandated Head of Household verification.

Check here ☐ if you accept the possible qualification delay and choose not to file this form. If the return is not electronically filed, you can not use this form.

1 Look at the chart below to identify the relationship of the person you believe qualified you for the Head of Household filing status. Enter the code number for that relationship here

Relationship	Code
Son, daughter, stepson, or stepdaughter	1

**Always help the taxpayer complete the HOH Questionnaire.
This is in their best interests.**

Important Information

Direct deposit refunds, and even split refunds, into two different accounts. Taxpayers pick a date and automatically debit balances due from their bank account. Complete the information at the bottom of Form 540 Pg. 2. The request includes the same bank information as entered on the federal return or information for a different bank for state refund or debit.

Direct Deposit of Refund or Electronic Funds Withdrawal of Balance Due

- ☐ Check here if you had a Federal refund and you want the state refund deposited into the same account as listed for the Federal. This information will not appear below but will be transmitted to California if e-filing and will appear on the printed 540 and CA 8453.
- ☐ Check here if you want the refund deposited into a different account and enter account information.
- ☐ Check here to have your state refund check mailed to you.
- ☐ **Electronic Filing Only** - Check here if you want your balance due withdrawn from your bank account and enter your account information, the date of the electronic funds withdrawal and the amount to be withdrawn from your account. The date requested must be between **10/03/2003** and 10/15/2003. To avoid late penalties and interest, you must enter a date on or before 04/15/2003.
- ☐ **Electronic Filing Only** - Check here if you will mail your balance due to California.

Routing number Account type: ☐ Checking ☐ Savings
 Account number

Amount to be withdrawn by electronic funds withdrawal 0
 Date of the electronic funds withdrawal

Electronic Filing Only
 If you used a different account for direct deposit of your state tax refund or requested electronic funds withdrawal for your state tax balance due or any estimated tax payment, rekey the account information below from the check or other document for verification.

RTN: Account:

Electronic Filing Only - Estimated Payments



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

Important Information (cont.)

When using the debit option for a balance due when e-filing a state tax return, manually enter the banking information twice. The FTB website allows the taxpayer to pay by credit card. There is also an option for the taxpayer to mail the payment and payment voucher (FTB 3582 e-file) directly to the Franchise Tax Board.

You may also request a debit of state estimate payments using Taxwise.

Volunteer Procedures

As a volunteer tax assistant, always provide your clients with accurate information, follow the procedures in the volunteer reference manual, and protect confidential taxpayer information.

Refer questions regarding state tax law to the Franchise Tax Board Volunteer Hotline 1.800.522.5665. Also order forms, reference manuals, quick reference guides, and posters using this toll-free number, and locate additional TCE/VITA sites statewide. Please do not give this number to the taxpayer; it is for volunteer use only.

If a taxpayer needs to contact the Franchise Tax Board, please ask them to call 1.800.852.5711 for customer service or 1.800.338.0505 for automated telephone service.

Call the volunteer hotline or your local volunteer program coordinator to obtain a *Volunteer Reference Manual*.

All tax return information is confidential. Volunteers discuss information about returns prepared when seeking tax or procedural help from their local volunteer program coordinator or the volunteer hotlines only. The VITA program destroys all taxpayer information once the e-file process completes. Please destroy all records on Taxwise at the end of each volunteer tax program season. Credibility of the VITA/TCE program is lost if disclosure of information is made to unauthorized individuals. Please examine your site location for maximum privacy for volunteers and clients.



2008 CALIFORNIA VOLUNTEER MANUAL

TAXWISE TIPS

Under no circumstance accept any form of payment either for your services or on behalf of the Franchise Tax Board. For more information, please see the volunteer reference manual.

Site List

Franchise Tax Board maintains and updates a site information database. The database creates a site list. The site list updates every three weeks during filing season and distributes to over 800 different agencies via internet, email, and paper mailers. The list updates on the Internet at ftb.ca.gov on a weekly basis.

Inform FTB of changes in your site hours or location. You contact your local volunteer program coordinator or the volunteer hotline to provide changes in site hours or location. You also call the volunteer hotline to inform FTB of any changing information such as phone number, contact name, or projected closing date of the site.

Hope you enjoy Taxwise training. For more options, check out FTB's volunteer online training program at ftb.ca.gov.



NONREFUNDABLE RENTER'S CREDIT

To qualify for the nonrefundable renter's credit your clients must have paid rent on their principal residence located in California for at least 6 months in 2008.

Exempt Properties

Your clients do not qualify for the nonrefundable renter's credit if for more than half of the year they rented property that was exempt from property tax.

Homeowner's Property Tax Exemption

Your clients do not qualify for the nonrefundable renter's credit if they or their spouses received a homeowner's property tax exemption at any time during 2008. See worksheet for exception.

Married Filing Separately

If your clients and their spouses file separate returns, live in the same rental property and both qualify for the nonrefundable renter's credit, one spouse may claim the full \$120, or each spouse may claim half of the amount, \$60. If they maintain separate residences, they may each claim only half the amount, \$60.

Filing Status	Adjusted Gross Income	Credit Amount
Single, MFS	\$34,936	\$60
MFJ, HOH, QW	\$69,872	\$120

IMPORTANT NUMBERS

VITA HOTLINE
(Volunteers Only)
800.522.5665

PUBLIC NUMBER
800.852.5711

MAILING ADDRESSES

REFUND OR ZERO DUE

Franchise Tax Board
PO BOX 942840
Sacramento CA 94240

AMOUNT DUE

Franchise Tax Board
PO BOX 942867
Sacramento CA 94267

TaxWise Tips

Problem	Solution	Problem	Solution
No State ID number on W-2.	Enter all zeros.	Interest or dividend income taxed incorrectly for state.	From Federal Schedule B link to New Interest or Dividend Statement, add (+) or (-) in State Adjust Column.
SDI entry.	Enter SDI on W-2, box 18, 19, and 20. Enter SDI under Instructions for W-2 on the Taxwise W-2.	Capital loss carryover added back to income on 540 Schedule CA.	Add California Schedule D, enter any capital loss carryover as a negative number on line 6.
California Lottery exclusion.	Check the "See F-1 help on the state return" box on the W2G to exclude lottery winnings.	Enter credit codes in TaxWise.	F-1 from Form 540, line 28, CA Codes, then CA credit names and codes, cut and paste.
Railroad Retirement income taxed.	Check Railroad Retirement box on W-2.		

STATE FILING REQUIREMENTS

On 12/31/08 my client's filing status was:	And on 12/31/08 my client's age was:	California Gross Income with Dependents			California Adjusted Gross Income with Dependents		
		0	1	2+	0	1	2+
Single or Head of Household	Under 65	14,845	25,145	32,870	11,876	22,176	29,901
	65 or older	18,838	26,188	32,068	16,826	24,551	30,731
Married Filing Jointly/RDP or Married Filing Separately/RDP (use combined incomes)	Under 65 (both spouses)	29,690	39,990	47,715	23,752	34,052	41,777
	65 or older (one spouse)	34,640	42,365	48,545	28,702	36,427	42,607
	65 or older (both spouses)	39,590	47,315	53,495	33,652	41,377	47,557
Qualifying Widow(er)	Under 65		25,145	32,870		22,176	29,901
	65 or older		27,520	33,700		24,551	30,731
Dependent of Another Person/Any Filing Status	Any Age	More than your standard deduction (Use the California Standard Deduction Worksheet for Dependents to figure your standard deduction.)					

FILING REQUIREMENT INFORMATION

If in doubt whether to file a tax return, file the return. By filing a return, the client may avoid penalties for failure to file.

If your client is claimed as a dependent on another return, they must file a return if gross income from all sources is greater than the standard deduction. Use the *Standard Deduction Worksheet for Dependents* to figure standard deduction amounts.

Remember, even if your client does not have a filing requirement, they should file a return if: California state income tax was withheld from their pay; or they made estimated tax payments.

FILING STATUS FOR CALIFORNIA

Your clients must use the same filing status for both state and federal returns unless they are married and either spouse was:

An active member of the United States armed forces (or any auxiliary military branch) during 2008, or

A nonresident for the entire year and had no income (including half of community income) from California sources during 2008, or

Both individuals were registered domestic partners with the California Secretary of State.

Filing Status	Standard Deduction
Single	
Married Filing Separately/RDP	\$3,692
Married Filing Jointly/RDP Head of Household Qualifying Widow(er)	\$7,384

Exemptions

Personal: \$99

Dependent: \$309

